

Message Text

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21

ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 XMB-02 /111 R

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FM SECSTATE WASHDC

TO USMISSION GENEVA

USMISSION EC BRUSSELS

USDEL MTN GENEVA

AMEMBASSY BUENOS AIRES

AMEMBASSY MEXICO

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: BRAZILIAN TRADE MEASURES

REFS: BRASILIA 6515, BRASILIA 7077

1. BRAZIL ISSUED DECREE ON AUGUST 6 WHICH EMPOWERS
SUSPENSION OF EXISTING TARIFF CONCESSIONS, APPLICATION OF
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TARIFF SURTAX OF UP TO 100 PERCENT, AND IMPOSITION OF
OTHER RESTRICTIONS ON GOODS ORIGINATING IN COUNTRIES THAT
IMPEDE THE ENTRY OF BRAZILIAN EXPORTS INTO THEIR MARKETS.
BRAZILIAN OFFICIAL TOLD OUR EMBASSY THAT, DESPITE PRESS

ACCOUNTS, DECREE WAS NOT AIMED SPECIFICALLY AT US, AND THAT BRAZIL HAS NUMBER OF TRADE PROBLEMS WITH OTHER COUNTRIES, PARTICULARLY IN LAFTA, WHICH MIGHT BE RELEVANT TO DECREE. HE ALSO NOTED THAT DECREE WAS ENTIRELY PROSPECTIVE AND THAT IT WAS GOB HOPE THAT IT WOULD NEVER BE NECESSARY TO USE IT.

2. WE BELIEVE TARGET OF DECREE IS LARGELY US, (ESPECIALLY COUNTERVAILING DUTY CASES), BUT WE RECOGNIZE ITS APPLICABILITY TO OTHER COUNTRIES SINCE BRAZIL DOES HAVE GROWING TRADE PROBLEMS IN LATIN AMERICA AS WELL AS WITH EC COUNTRIES.

3. FOLLOWING ARE TALKING POINTS USED BY EMBASSY BRASILIA IN PRESENTATION TO SECGEN OF FOREIGN MINISTRY, FROM WHICH

YOU MAY DRAW IF QUESTION OF BRAZILIAN DECREE ARISES IN CONVERSATION WITH HOST GOVERNMENT OFFICIALS OR WITH BRAZILIAN REPRESENTATIVES:

A. THE USG HAS NOTED WITH CONCERN THE REPORTED PROMULGATION OF A NEW DECREE WHICH APPEARS TO ENVISAGE RETALIATORY ACTION AGAINST COUNTRIES WHICH IN SOME MANNER ARE DEEMED TO IMPEDE THE ENTRY OF BRAZILIAN EXPORTS INTO THEIR MARKET. ALTHOUGH WE NOTE THAT APPLICATION OF THIS DECREE IS PROSPECTIVE AND THAT THE US IS NOT SPECIFICALLY SINGLED OUT AND IDENTIFIED AS A TARGET OF SUCH MEASURES, WE ARE CONCERNED BY THE TIMING OF THE REPORTED MEASURE, THE APPARENTLY BROAD NATURE OF ITS PROVISIONS (INCLUDING THE LACK OF ANY REFERENCE TO THE GATT); AND THE LACK OF ANY CONSULTATIONS WITH THE US AS ONE OF BRAZIL'S PRINCIPAL TRADING PARTNERS.

B. WHILE US AUTHORITIES APPRECIATE THE BRAZILIAN PREOCCUPATION IN REGARD TO ITS EXPORT PROSPECTS AND THE BALANCE OF PAYMENTS, US VIEWS ON THE REPORTED DECREE MAY BE SUMMARIZED:

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(A) THE MEASURE WOULD BE CONTRARY TO OUR EFFORTS, TO RESOLVE TRADE PROBLEMS BY CONSULTATION AND NEGOTIATION, EITHER BILATERALLY OR IN THE FRAMEWORK OF THE GATT, IN A SPIRIT OF COOPERATION.

(B) FOLLOWING SO SOON AFTER UNDER SECRETARY ROBINSON'S VISIT TO BRAZIL JULY 10-11, INCLUDING AGREEMENT TO ESTABLISH A TRADE CONSULTATIVE MECHANISM TO DEAL WITH BILATERAL PROBLEMS, THE MEASURE COULD NOT HELP HAVING MARKEDLY NEGATIVE EFFECT ON THESE EFFORTS AT STRENGTHENED BILATERAL COOPERATION.

(C) WITH RESPECT TO THE PROBLEM OF EXPORT SUBSIDIES AND COUNTERVAILING DUTIES, WHILE THE US RECOGNIZES THAT

BRAZIL CONSIDERS THE PRESENT PROVISIONS UNDER THE GATT UNSATISFACTORY, THE DECREE, IN OUR VIEW, IS COUNTER-PRODUCTIVE WITH RESPECT TO CURRENT EFFORTS TO NEGOTIATE A NEW SUBSIDY/COUNTERVAILING DUTY CODE IN THE MULTILATERAL TRADE NEGOTIATIONS.

(D) UNTIL SUCH TIME AS A NEW CODE IS AGREED AND RATIFIED, US COUNTERVAILING DUTY ACTIONS, PRESCRIBED BY US LAW, ARE CONSISTENT WITH US RIGHTS AND OBLIGATIONS UNDER THE GATT, AND RETALIATION AGAINST SUCH MEASURES WOULD, THEREFORE, BE UNJUSTIFIED. RETALIATORY MEASURES UNDER THE DECREE WOULD ALSO, VERY PROBABLY LEAD TO FURTHER DIFFICULTIES BROUGHT ABOUT BY A MUTUALLY HARMFUL PROCESS OF RETALIATION AND COUNTER-RETALIATION.

(E) IMPLEMENTATION OF THE DECREE COULD HAVE AN UNSETTLING EFFECT ON RELATIONS OUTSIDE THE TRADE AREA. KISSINGER

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